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GENERAL

Date: 10 MAR 78 By: [redacted]

1. UK views on western European union--A high UK Foreign Office official has remarked to US Embassy London that while it will be difficult to work out the details of the western European union (as proposed by Bevin in general terms), the "force of necessity would compel a coming together and working together of western European countries in some form of union." The official also voiced the view that it will be essential to develop economic and security cooperation simultaneously and along parallel lines.

EUROPE

2. UK: Effects of possible delay in recovery aid--The UK has informed US Embassy London that if implementation of the European recovery program is delayed until July, or if the assistance appears likely to be inadequate, the UK "will be driven to take further steps" to protect the reserve position of the sterling area. The Embassy concurs with the British estimate that by 30 June the sterling area gold and dollar reserves will be below the figure previously regarded as the necessary minimum. The Embassy comments that the "main problem" is to eliminate soon the uncertainty of the UK over the size and timing of recovery aid and to give assurance that UK reserves will be replenished promptly and fully if they are risked.
3. ITALY: Pope concerned over coming elections--The Pope has expressed to a US Embassy Rome attache his great concern over the election outlook in Italy and his feeling that

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the Socialist-Communist bloc could very easily win a plurality. According to the attache, the Pope emphatically agrees that all anti-Communists should form a bloc in order to give the electorate a clear choice between Communism and anti-Communism but is adverse to the inclusion of the Saragat Socialists because their philosophy is "un-Christian."

(CIA Comment: Present indications are that the Communist bloc and De Gasperi's Christian Democrats will receive approximately equal percentages of the votes. Because the Saragat Socialists and other moderate leftist groups are the only parties which can compete with the Communists for workers' support, their exclusion from any anti-Communist bloc would greatly weaken it.)

4. FRANCE: French expect reopening of Spanish border soon -- A French Foreign Office official has told US Ambassador Caffery that the conversations with the Spanish concerning the reopening of the Spanish border will probably be completed within 10 days. The official expressed the hope that the border can be opened to personal traffic soon and to merchandise in transit through France and Spain at some later date. The Foreign Office also hopes within the next several months to negotiate a revised general agreement for economic exchanges with Spain. According to the official, the French wish to announce the result of the negotiations in a joint communique, but the Spanish wish to issue a separate announcement.

(CIA Comment: The Spanish Government's wish to make a separate announcement is evidence of its firm intention to exploit the border opening as a Spanish diplomatic victory. Franco is determined to demonstrate that he is being welcomed into the anti-Communist camp.)

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